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# Pragati

The Indian National Interest Review

Pragati- The Indian National Interest Review

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# A deadly line

*William Dalrymple's triangulation error.*

United Nations Photo



Earlier this week, Brookings published a slickly produced essay on Afghanistan by British author William Dalrymple on its website. The sophisticated aesthetic of the online publication makes you sit up in your chair. Mr Dalrymple's arguments do more than that—they make you fall off it.

The gist of Mr Dalrymple's endeavour in geopolitical literature is that Afghanistan, Pakistan and India form deadly triangle and that "hostility between India and Pakistan lies at the heart of the current war in Afghanistan". Therefore, he concludes, "(the) continuation of clashes between India and Pakistan in—and over—Afghanistan after the US withdrawal is

dangerous for all countries in the region and for the world."

The metaphorical blind men were supposed to be from Hindoostan. In this case, it is Mr Dalrymple who mistakes one part of the elephant for the whole.

Consider the conflict in Afghanistan over the last four decades. Zulfikar Ali Bhutto's Pakistan began supporting Afghan Islamists in the early 1970s—much before the Soviets invaded—out of its concerns over Kabul's non-recognition of the Durand Line and support for the insurgency in Balochistan. Pakistan did this to assuage its own insecurities vis-a-vis Afghanistan. It had little to do with rivalry with India.

The Soviets invaded Afghanistan partly because they [feared Islamic extremism](#) would destabilise their Central Asian republics. India was not in the picture. In fact, Prime Minister Indira Gandhi “[tightly \(rapped\)](#) the Soviet leadership on their knuckles” for their action. The United States then entered the fray to fight its Cold War adversary and outsourced the irregular war to the Pakistani military dictatorship next door. The Saudis financed the anti-Soviet jihad for their own geopolitical reasons, not least to go one up over Ayatollah Khomeini’s Shia Islamic republic in Iran.

## *For almost three decades, India’s role has largely been to shield itself from the consequences of external meddling into Afghanistan’s affairs.*

In the 1990s, the Pakistanis stepped in to satisfy their military establishment’s expansionist dreams. This was neatly packaged for domestic and international consumption as the need for “strategic depth against India”, but was primarily an exercise in opportunistically extending hegemony over a weak neighbour. The Taliban then hosted Osama bin Laden’s al Qaeda which had its own agenda against the United States and the West. After 9/11, the United States and its NATO allies attacked Afghanistan to punish the penetrators of that terrorist attack.

Neither India nor India-Pakistan rivalry figure significantly in any of this. The Pakistani military establishment, of course, cites the India bogey as an explanation for all its actions. There is also, no doubt, hostility between Pakistan and India. However, to ascribe the conflict in Afghanistan as part of this rivalry would be to nearly totally ignore historical facts.

The conflict in Afghanistan is due to overlapping involvement of outside powers—Pakistan, the Soviet Union, the United States, Saudi Arabia, Iran and al-Qaeda—in the pursuit of their own geopolitical interests. For almost three decades, India’s role has largely been to shield itself from the consequences of external meddling into Afghanistan’s affairs. This is an entirely different story from Mr Dalrymple’s contention that India-Pakistan relations are central to the conflict in Afghanistan.

Mr Dalrymple’s profound misreading of the situation could have been ignored as just another piece of writing in the now voluminous literature on Afghanistan and Pakistan, had it not been for the context. Barack Obama’s subjugation of military strategy to the tyranny of a hard date for the withdrawal of US forces from Afghanistan means that Washington will be looking for a narrative to cover its less than dignified exit. Both the political strategists of the Democratic Party and the US foreign policy establishment need a storyline to obfuscate matters so that both President Obama and the United States do not appear to have washed their hands of their responsibility towards the Afghan people. Narratives like Mr Dalrymple’s come in handy for the purpose. The corollary of Mr Dalrymple’s thesis is that all the United States needs to do to

stabilise Afghanistan is to engage in the familiar, relatively easy and generally useless task of encouraging India and Pakistan to improve their relations.

That's exactly what James Dobbins, US special representative for Afghanistan and Pakistan, [said in New Delhi this week](#). "Any improvement in (India-Pakistan) ties", he contended, "will almost automatically improve the Afghanistan situation." Surely Mr Dobbins can't believe that Mullah Omar will halt attacks on the Kabul government merely because India-Pakistan relations improve? The Pakistani military establishment didn't surrender its Taliban option in the face intense, decade-long pressure from the United States. Only the credulous will believe that it will do so because India-Pakistan relations improve.

The narrative emerging from Mr Dalrymple and Mr Dobbins misses the fundamental point: the conflict in Afghanistan is caused, fuelled and perpetuated mostly by Pakistan's insecurities and sometimes by its ambitions. As *Pragati* has argued, Islamabad and Rawalpindi see a strong, independent Afghanistan [as an existential threat to Pakistan](#). If the United States and the international community wish to stabilise Afghanistan they would do well to acknowledge, understand and address [Pakistan's deep insecurities arising from the Durand Line](#).

President Obama's decision to withdraw from Afghanistan is understandable. So is the United States' need for a fig leaf to cover its exit. What is unacceptable is that this should come at India's expense.

MEHMAL SAFRAZ

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# Journalists sans borders

*Keeping journalists out of each other's countries does not serve any purpose for either Pakistan or India.*

sleepymyf



The hostility between India and Pakistan, two neighbours still battling demons from their past, is hurting the people of both nations. Many Pakistanis now feel that there could be enormous opportunities and countless incentives for both neighbours to establish friendly relations for mutual benefit. When Mian Nawaz Sharif's party, the Pakistan Muslim League-Nawaz (PML-N), came to power once again after the general elections in May 2013, many analysts

observed that it would lead to improved ties between India and Pakistan. Mian sahib's willingness for bilateral talks, de-escalating tensions, and establishing trust to find ways and means to resolve all political and geopolitical issues between the two countries is no secret. Both countries can save a major part of their budget currently being spent on defence, which can be used for providing basic facilities to their people in health, education, a clean

environment and other human development programmes. In this regard, the media of both India and Pakistan can also play a vital and positive role in rebuffing hardliners, overcoming obstacles, and bringing the Indo-Pak ruling heads closer for a better understanding. Unfortunately, by not extending the visas of *The Hindu*'s correspondent Anita Joshua and *Press Trust of India*'s (PTI's) correspondent Rezaul Hasan Laskar till their replacements arrived in Islamabad, the state of Pakistan has sent a wrong signal.

## *Pakistan's obsession with India is tearing apart the basic fabric of Pakistani society, leading to a self-destructive phase.*

Since the decision was seemingly not taken by the new democratic government, it remains to be seen what measures Prime Minister Nawaz Sharif would take to address this issue. Some people are of the view that both Anita and Rezaul were asked to leave by the powers-that-be to send a message to Mian sahib that his peace overtures towards India were not 'welcome'. Others believe that the two Indian journalists were sent back because no Pakistani correspondents have been posted in India for almost three years now due to some procedural reasons (these procedures have got nothing to do with India). It is rather unfortunate that the Indian correspondents had to suffer because of Pakistan's own lack of

'enthusiasm' in posting its correspondents in New Delhi.

I first met Rezaul Hasan Laskar and his lovely wife Lamat soon after they arrived in Pakistan back in 2007. Since then I have become good friends with the couple. I have had the good fortune of being mentioned in their blog in rather kind words. Thus when I heard that Rezaul had been asked to leave last month, I felt quite sad. I had just bid farewell to Anita in May and to attend another farewell, this time for Rezaul, made me feel quite helpless. Once again, I questioned the logic behind this longstanding rivalry between the two countries. We live in the twenty-first century where technology and the internet has revolutionised the media but when it comes to India and Pakistan, the Indo-Pak media is still being held hostage to the whims of their respective establishments.

Imtiaz Alam, Secretary General South Asian Free Media Association (SAFMA), says: "We have been proposing that there may be no restriction on opening up of bureau offices by various media organisations of both India and Pakistan. There should be no restrictions on numbers (of journalists) and places (city-specific visas). Movement should be free of hassles and hurdles except for some necessary care for journalists' security. SAFMA had suggested that there should be at least six bureaus each in both the countries to start with. Unfortunately, even the two-each journalist quota is not being appropriately followed. Lack of access to and free flow of information is a great resource of information-deficit in the subcontinent. As SAARC, especially in its 14th Summit, emphasised, connectivity is a prerequisite for any

type of cooperation at the regional level. SAFMA has been emphasising for the liberalisation of visa regime for journalists or businesspersons, artists, academics, physicians, students and players in particular. Free flow of information, goods and people is essential to any kind of meaningful regional cooperation. Regrettably, both India and Pakistan continue to resist or hinder people-to-people contacts and keep SAARC's growth handicapped due to their bilateral issues."

Pakistan's obsession with India is tearing apart the basic fabric of Pakistani society, leading to a self-destructive phase. In order for us to battle our inner demons and monsters created by the state, it is pertinent for Pakistan to

normalise relations with all its neighbours, especially India. Both countries are wasting resources in their nuclear arms race at the cost of their impoverished masses. Peace between the two countries still seems like a distant dream. To turn this dream into a reality, we need a policy shift. SAFMA and other such organisations are trying to bridge the gap between the two countries but that is not enough. What we need is for both governments to realise that keeping journalists – and others – out of each other's countries does not serve any purpose whatsoever other than creating further misunderstanding between the two nations. It is time to let go of such regressive policies and move forward.

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# Convenience is not strategy

*The governments' lack of enthusiasm and willingness to meet the Maoist challenge is pervasive and perplexing*

Ryan Clements



Neither the 25th May attack in Chhattisgarh's Darbha nor the 2nd July killing of the Superintendent of Police of Pakur district in Jharkhand by the Communist Party of India-Maoist (CPI-Maoist) cadres constituted momentous military victories for the outfit. None of these attacks furthered the outfit's purported objective of capturing state power in any manner. Yet the 35 dead bodies of politicians, activists and security forces, left behind by these attacks, significantly deepened the myth of an invincible adversary. There are doubts whether the Indian state would be able to neutralise the threat.

The 25th May attack was described as a game changer and a landmark event.

Within hours, leaders and bureaucrats, propped by the agile media, promised decisive action to end the conflict through joint operations, kinetic actions and hunting the rebels down. Each of these claims, rooted in the sense of shock and outrage against the first ever large scale attack on the political leaders, ended in a whimper a vaguely worded resolution by political parties asking the central and state governments to do all that is possible; and an assurance by the Prime Minister that his office with the Cabinet Secretary and the Home Secretary will fine tune the existing anti-Maoist strategy to strengthen the country's defensive and offensive capabilities.

How the fine tuned strategy differs from the one that preceded it, still remains unknown, although at least eight attacks leading to 20 deaths (until 2nd July) have followed the 25th May attack. Extremists have killed security force personnel and civilians in ambushes, destroyed road-building instruments, attacked a train, and killed a vice president of a private steel manufacturing company. None of these, including the most outrageous attack on a passenger train in Bihar, has evoked emotions or been described as affronts on Indian democracy. The great Indian resilience, backed by the belief in the invincibility of the Indian state, has returned.

A lot has been made out of the achievements of the security force operations against the CPI-Maoist in the past years. The outfit is described to have been weakened, lost areas under its control and has been stripped of its ability to carry out sustained violence. The noticeable decline in violence levels countrywide, both in terms of incidents and fatalities, has been cited to support this claim. Extremism related incidents in 2012 compared to the previous year declined by 19 percent. Fatalities among security forces and civilians declined by 19 and 36 percent respectively. While much of this is irrefutable, whether these gains are due to a clear strategy or simply rewards that large deployment and operationalisation of security forces accrue over time, is a relevant question.

It is also possible to interpret each parameter of state success in the opposite manner, demonstrating that it is in fact the CPI-Maoist which has managed to achieve its objective of minimising its losses and holding on to its areas of influence. Compared to an

annual average of 174 cadre deaths between 2007 and 2011, only 72 cadres were killed in 2012. Absence of larger attacks by the outfit were made up by 134 smaller attacks on security forces in 2012. Constituting more than 11 attacks per month or an attack every third day, these kept up the outfit's violent profile, and its support among the tribal communities. Even in a phase when the outfit's influence was described to have shrunk rapidly, the CPI-Maoist managed to organise 113 training camps and *Jan Adalats* (People's Courts) in 2012, almost at the same level as 2008 and 2009.

*The MHA (which has conveniently passed on the responsibility of all failures to the state governments), is yet to take the blame for letting the loopholes that hampered the big war strategy of 2010, culminating in the launch of Operation Green Hunt, persist.*

The group lost some territories in Jharkhand, but managed to hold on to its strongholds in Chhattisgarh, Bihar, and Odisha. Amid claims that the paramilitary forces have wrested 5000 square kilometre area from the Maoists in 2012, Abujhmaad, arguably the most crucial stronghold from the outfit's point of view, remained unscathed. The first ever and also the lone security force foray into Abujhmaad forests was

undertaken in March 2012. Personnel interviewed by the media before the operation talked about their fears of encountering hydra-headed monsters. Apart from media headlines that over 3000 security forces have shattered the impregnability of Abujhmaad, this exploratory trip achieved little and has not been repeated ever since.

The attempt here is not to paint the overall anti-Maoist strategy as mumpsimus. However, a sense that the efforts constituting each affected state's strategy to defeat left-wing extremism is disjointed and aim only at temporary gains, is almost inescapable. The MHA (which has conveniently passed on the responsibility of all failures to the state governments), is yet to take the blame for letting the loopholes that hampered the big war strategy of 2010, culminating in the launch of Operation Green Hunt, persist. The deployment of insufficiently motivated forces prone to violating standard operating procedures, the abysmal lack of ground level intelligence, and absence of coordination between the central and the state police forces continue to mar operations in various theatres. Forces continue to suffer from leadership, and command and control crises.

The civil administration's lack of enthusiasm to step into the areas cleared of extremist presence has often been cited as the greatest failure of the overall counter-Maoist effort. However, big attack-induced alacrity notwithstanding,

the lack of enthusiasm to meet the extremist challenge is pervasive and perplexing. Here are some examples. It took over a week for the Home Minister to return from the United States of America, to attend to the May 25th attack, which he later described as an attack on democratic foundations of the country. A whole month passed before the Unified Command Structure in Chhattisgarh could huddle together to analyse the attack. For almost seven years, security forces battled the extremists wearing the uncomfortable hard-leather shoes, before the Ministry of Home Affairs (MHA) relaxed the norm and allowed them to wear canvas shoes. It took four years for the Central Reserve Police Force (CRPF) high command to figure that not using the 50 mine-protected vehicles (MPVs) is in fact a better idea as far as preventing casualty among its personnel is concerned. The longevity idiocies that play out in the Maoist theatres are the greatest bane of the country's fight against extremism.

Novelist and Nobel Laureate Alexander Solzhenitsyn wrote, "We do not err because truth is difficult to see. We err because this is more comfortable." The country would have to wait for the governments, states as well as the Centre, to emerge from their comfort zone and stop masquerading tactical convenience as a counter-Maoist strategy that will secure victory, some day.

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# It's the politics, stupid

*Understanding Narendra Modi's economic pitch for 2014 elections.*

jynxzero



It is now given that Gujarat chief minister Narendra Modi would be the prime ministerial candidate of the opposition Bharatiya Janata Party (BJP) in the 2014 general elections. As Mr Modi's national profile has been elevated, his economic record and the so-called Gujarat miracle have been subjected to close scrutiny. This larger debate carries an interesting sub-text: Is Narendra Modi an economic reformer?

First things first: What does a reformer mean in the Indian context? Writing in

the *Business Standard*, Vivek Dehejia argues that contrary to the clamour of some of Mr Modi's more enthusiastic supporters, the Gujarat Chief Minister is unlikely to morph into a "idealistic crusader for the free markets", making a Hayekian case for deregulation, liberalisation and limited governance. In short, despite the rhetoric of "minimal government", Mr Modi is unlikely to deliver on that promise.

This argument can be understood at two different levels. First, in an electoral

contest, politicians broadly respond to their constituents. Outside of a tiny elite, too insignificant to even dominate the op-ed space, are the Indian people clamouring for a free-market crusader? Are there liberty marches in Indian cities demanding that the government step back and leave the people alone? Even in the “land of the free and the brave” which always have had a strong independent streak, the libertarian party itself is a marginal player. Its policy triumphs are not the result of legislative victories but because the public opinion has shifted decisively—for instance, in the case of marijuana legalisation. Therefore, obsessing over Modi’s literary tastes misses the woods for the trees.

## *In a poor country like India, the debate cannot be between a libertarian conception of government versus Nehruvian socialism.*

Second, all modern democracies are welfarist in nature; redistribution is an important function of government. What differentiates the French model from its American counterpart is the degree of welfare. It is here that the Congress party has missed the point. It has placed its faith primarily in redistribution, entirely ignoring the role of the growth. Enamoured with a Rights-based model, it has also ignored the limited capabilities of the Indian State, as well as the negative externalities of welfare. In short, it has confused intent with action; and expenditure with outcome. In its latest iteration, it has confused malnutrition

among the vulnerable and its complex causes with generalised hunger among the population.

Even the reluctant reforms it has carried out are borne out of a realisation that derailing the Indian growth story would not only cost it middle class votes but also those of the poor. After all, fiscal profligacy has its natural limits. In a poor country like India, the debate cannot be between a libertarian conception of government versus Nehruvian socialism. There is a middle ground which focuses on growth primarily as a tool for poverty alleviation but is willing to help the most unfortunate and the needy. Any concept of ‘reform’ in India which ignores the immediate needs of the poor is not only politically unfeasible but will be morally indefensible. And for a politician it would be suicidal to embrace such a framework.

Professor Dehejia raises another important point which is more germane to the debate. He argues that Modi’s slogan of “good governance” is actually a ‘barnacle’ to every new scheme which has caught the fancy of the Gujarat强man. There is some truth in this. Importantly, the rubric of “good governance” offers Mr Modi an escape hatch in which virtually anything can be justified because it is pro-people. With an almost unquestioning support base whose absolute faith in the man is often disquieting, it is possible that Mr Modi’s conception of what constitutes good governance would go unchallenged within his party.

But consider this. In a vast and complex country like India, an obfuscatory message is often a political necessity. After all, someone wishing to capture power at Delhi has to appeal to the voter

in South Mumbai as well as Gorakhpur. By couching his message in a broad framework of “good governance”, Mr Modi can appeal to both these voters who otherwise share little in common. He can promise the middle class professional in South Mumbai that he would re-ignite the India growth story while promising better delivery of essential services to the voter in Gorakhpur. Admittedly, it may not be an ideal approach and there are genuine fears this attenuates accountability but in a country like India, there is no alternative to this model.

What about Mr Modi’s claims to be a micro-manager? It often appears Gujarat is personally managed by its chief minister who is credited with transforming moribund government schemes into trail-blazing success stories. Isn’t that against the logic of a true reformer who would trust the invisible hand of the market rather than bureaucratic initiatives? Two points. First, there is an element of clever propaganda here in which Mr Modi—a marketing genius—has cleverly anointed himself as the face of the Gujarat development story. It is impossible to manage a state like Gujarat, much less India, at a personal level. This is not to deny Mr Modi credit for Gujarat’s consistent economic growth but merely to point out that micro-management is a logistical impossibility. Second, politically, the claims of being a micro-manager have tremendous political salience. Though this may offend the ranks of classical liberals, the villager in Bihar who still awaits an electric connection is not looking for less government; he is interested in more effective governance. And this is exactly what is Mr Modi’s primary pitch.

A stronger criticism of Mr Modi and his party is that over the last decade they have completely given up on the platform of economic reforms. Contrary to the charges of obstructing the parliament needlessly, the BJP has been Congress’ partner-in-crime in passing each and every social legislation from the NREGA in UPA-1 to its ostensible support for the Food Security Bill. It has allowed the Congress party to dominate the intellectual debate while offering little more than occasional admonishments about corruption. Some of this stems from BJP’s misunderstanding of the 2004 defeat. Additionally, BJP’s ideological fountainhead, RSS, remains deeply atavistic with an open disdain for market economics.

*However, perfection is mirage in an democracy where compromise is inherent to its very structure.*

However, it is equally true that long-term political wilderness is detrimental to political parties. It would be an interesting exercise to examine the headlines from the early 2000 when a “permanent majority” was seemingly in NDA’s grasp. The readers were often informed that the Congress was “in drift”; there was “ideological confusion” and much else. Congress’ unexpected victory in 2004 almost overnight changed the political discourse with the choicest epithets now reserved for the BJP. Whether a stint in power would reinvigorate the BJP to the same extent

remains an open question. Its rather poor track record in opposition is, however, not a definitive indicator of its imminent failure as a governing formation. In addition, in a parliamentary democracy, it is the government which sets the agenda and holds almost all the cards. The opposition's role is largely reactive and BJP's myriad failures—though by no means excusable—are perhaps understandable in that light.

The Congress party is traditionally conditioned to the idea of “two Indias” as Rahul Gandhi once memorably put it. It is fundamentally uncomfortable with the language of empowerment because it believes that government and not markets are the primary arbiter of social good. As India urbanises rapidly, the Congress party may be forced to reevaluate its strategy but in the near term it is trapped in its rhetoric.

Admittedly, the BJP often echoes the language of the Congress party but Mr Modi as the Chief Minister of India's most urban state is more comfortable with the language of empowerment. Importantly, unlike the Congress party with its largely rural base, a Modi-led government would only be possible with the support of the middle class; it may be more receptive to their needs.

Ultimately, democracy is all about choices. Prime Minister Modi will not

deliver a reformist government by Western standards. Indeed, he would often disappoint the more reasonable pro-reform voices who acknowledge that no economic argument can be made in a political vacuum. However, perfection is mirage in an democracy where compromise is inherent to its very structure. Muslims vote predominantly for the Congress party not because they perceive it as perfectly ‘secular’ but because it is a less inimical to their interests compared to the BJP. So whether you believe in Mr Modi's reformist credentials or not, would you vote for a party which has almost explicitly rejected reforms and has ordained a pernicious Rights-based environment? The ‘minimum government’ promise may be a rhetorical flourish but the very fact that a politician is prepared to make such a statement is significant in India's political climate.

The entire argument can be distilled thusly: Will a Right-of-centre voter who is morally outraged by FSB and is not bothered by some of Mr Modi's other heavily negative baggage—and the importance of this cannot be emphasised enough—vote for UPA because it feels BJP's opposition is not strong enough?

The answer is self-evident.

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# The not so sacred contracts

*Recent decisions over energy contracts have reopened the fundamental debate between *Pact sunt servando and Rebus Sic Stantibus**

falling\_angel



In recent weeks, we've seen some interesting arguments and disputes over energy pricing. The most prominent case, of course, was the government's decision to accept the Rangarajan Committee formula for fixing the price of natural gas for a period of 5 years from April 1, 2014. Reliance, which is supposed to be the major beneficiary, is actually sulking that it cannot bring in more investments without a stable policy. This is a fair point. When it won the bid in 2000 under the New Exploration Licensing Policy (NELP) the company had believed that it would have the freedom to decide the pricing

of gas based on market dynamics. In 2000, the price of gas was around \$2.5/MMBTU but by the time Reliance could operationalise its fields, the international price went up by 4 times or more. Based on the principle of high-rewards for high-risks (Reliance had sunk more than \$10 billion despite the high geological risks), Reliance believed that the benefit of the upside should have accrued to them. But the government brought in the logic of "gas belongs to the nation" and decided to interfere with the pricing mechanism, ignoring what the contract had spelt out.

A few months back, Tata Power and Adani had approached the regulator for enhancement in price of electricity to be supplied from their Ultra-Mega Power Plants, on the ground that new export duties levied by the Indonesian Government had led to high increase in landed cost of coal, making it impossible for them to honour the fixed-price PPA that had been signed with a 20-year tenure. The regulator permitted the enhancement, overruling protests from discoms that the contract did not provide for any change in price and that any burden arising out of changed circumstances was to be borne entirely by seller.

## *Long-term, feed-in tariff for renewable energy will not be sustainable, and market pricing based on a robust RPO/REC mechanism will have to take over.*

In a tit-for-tat, Gujarat Urja Vikas Nigam Ltd (GUVNL) which had signed PPAs with solar-power developers for 1000 MW of capacity, has approached the regulator with a plea to reduce tariff from the agreed Rs 12.54 per Kwh (25-year average) to Rs 9 per Kwh. GUVNL's argument is that the contractual tariff was based on the then prevailing perception that the project cost would be around Rs 16.50 crores per MW. However, it says, the project developers have invested only Rs 11-12 crores per MW, adding, "if private players like Tata and Adani can approach the regulator

and even the Prime Minister to prevent their thermal plants from making losses, the government of Gujarat too has a right to renegotiate its solar power purchase agreements". Ironically, it was the Gujarat Government that had proposed the tariff in the first place; it was not arrived at by a competitive bidding process.

Probably inspired by these developments, GAIL has asked Petronet to re-negotiate a gas deal which the latter had signed with an Australian company for long-term supply of gas from their Gorgon field at a price linked to oil prices. With oil price at \$100 a barrel, the gas price from this field will be \$14.5 per MMBTU and the landed cost at Kochi after transportation would be close to \$17/MMBTU. This agreement was signed when the oil price (and therefore the gas price) was on an upward trajectory and GAIL/Petronet had judged it prudent to secure the gas supplies at that cost. But then, with US gas price (as indicated by the Henry Hub) hovering now at a much lower level and European gas price showing signs of cooling down too, GAIL is emboldened to re-open the contract. The only justification GAIL provides is that the renegotiation is necessary due to "changing pricing scenario worldwide".

So, are contracts no longer held as sacred? Can one of the parties renege on, or threaten to dishonour contracts that they had willingly entered into? Can changed circumstances be cited as the reason for doing so? If, after signing a fixed-price contract, the production costs increase, can the seller throw up his hands and claim it is no longer viable for him to deliver as promised? Or, if the market prices slump, can the buyer insist on renegotiating prices to a

lower level citing “changing pricing scenario”. Where does this leave a project like Gorgon with its high capital costs and which would have been rendered bankable only because of a long-term assurance of offtake at a good price?

Sanctity of contracts (*Pact sunt servando*) is a fundamental principle in law and rightly so. Two parties who have entered into a firm-price contract on their own volition and by exercising their own judgement must respect the terms agreed, regardless of changing circumstances. Otherwise, the very essence of an agreement is lost. Most arbitrators and regulators have supported this view.

On the other hand, the concept of changed circumstances (*Rebus Sic Stantibus*) was mentioned even in the Vienna Convention on contracts for international sale of goods, albeit intended only for “exceptional cases”. Economic hardship of seller or buyer was not allowed as a ground for invoking this principle. However, there are legal systems that recognise that the future is uncertain and with increased inter-connectedness even a distant event can rapidly disturb and completely alter the circumstances that were taken for granted when the contract was signed. Some national laws allow more leniencies on this ground.

Lawyers all over the world have made a fortune by taking on either of these positions (“sanctity of contract” vs. “unforeseeable, changed circumstances leading to frustration of purpose”) for their clients and will continue to do so. We can expect more litigation and arbitration proceedings in the future.

With the energy market in a constant state of flux and with such extreme unpredictability, it will become increasingly difficult to sign or enforce fixed-price, long-term contracts, as one of the parties can, sooner or later, cite “changed circumstances”. Long-term, feed-in tariff for renewable energy will not be sustainable, and market pricing based on a robust RPO/REC mechanism will have to take over. For LNG, long-term contracts are still the norm, but this only ensures security of supplies for the buyer and commitment of steady offtake for the seller; the price will vary based on an agreed index or formula (as in the case of Gorgon). With gas price showing signs of getting delinked from oil price, a spot market for gas based on its own supply/demand equation may soon be the reality. India will have to get used to the dynamics of this volatile market. Raising debt for projects, which don’t have long-term purchase agreements, is impossible in India today. However the risk perception will change gradually, if the market inspires confidence.

Insulating the ultimate consumer from the vagaries of energy pricing will be tough. The burden or benefit of price changes will simply have to be passed on to ultimate consumers through such free-market mechanisms. This will give rise to a more vibrant, derivatives market where the seller and the buyer (at least the distributor or retailer) may be able to hedge part of the risks. If political compulsions make it necessary to protect the interests of economically weaker sections of society, it must be done offline (eg. cash subsidies), without causing market distortions.

RAVIKIRAN RAO

Ravikiran S Rao blogs at *The Examined Life*.

# Multiplex movies and Indian politics

*Is the current state of our voting class same as that of the middle class movie-goers before the proliferation of multiplex theatres?*

Meena Kadri



It is now commonly accepted that Indian movies have changed quite a bit over the last decade or so. Their technical quality has improved. The movies are now better edited and taut. Producers are now willing to experiment with their story lines; the dialogues are less melodramatic and heroes are more willing to use self-deprecating humour. Songs are still essential to a movie's success, but directors now take care to move the

story forward while a song is going on, unlike in earlier times when they served as cigarette breaks.

Back during the times of the loud, garish and melodramatic movies, film-makers used to defend themselves against criticism by arguing that they were only giving their viewers what they asked for. It stands to reason, therefore, that the transformation of Indian movie making has been driven by changes in

audience tastes. Closely related to, but distinct from, this dynamic is the emergence of the multiplex.

The Indian audience is not monolithic and its tastes did not undergo a change all at once. Besides, one can hardly make the case that the categories of people who enjoy the old-style movies and those who love the new Indian movies are mutually exclusive. Many viewers are perfectly capable of liking both—as evidenced by the number of people who profess a nostalgia for Amitabh Bachchan's outlandish movies, but would mock a similar movie if it were made today. Before multiplexes came into the picture, it is entirely plausible that many viewers who would have preferred a different kind of movie if given a choice, went along with their friends to enjoy the old kind of a movie. Of course, there would have been many others who stayed at home, unable to stand the kind of movies made in 1996. Multiplexes provided a channel that filmmakers could exploit, to target a different kind of movie to an audience that had already existed for some time. They could charge higher prices, serve a smaller viewership and yet make a profit. The Indian movie industry has made a transition from seeing their customers as a single mass market to seeing itself serve different segments, of which the multiplex movie market is just one.

The analogy with Indian voting behaviour suggests itself. India is urbanising rapidly, and the electorate is increasingly a literate one. Many commentators have been watching out for signs that voters have changed in some way, but such signs are hard to come by, and we do not yet know just what we should look for. Bemoaning the

political apathy of the middle-class is one of our national pastimes, as is expecting young people who do not bother voting to throw out the establishment using street protests.

*Many commentators have been watching out for signs that voters have changed in some way, but such signs are hard to come by, and we do not yet know just what we should*

Could the current state of our voting class be the calm before the multiplex? In other words, could it be that the problem is not that our voters need to change, but that there needs to be a channel through which a new kind of politics is delivered to the new kind of voters? When we think of the middle class voter, we tend to focus on the software engineer staying in Bangalore or Pune, away from her parents, whose political activity is confined to Facebook posts and who has not bothered to register to vote. Or we speak of the low voter turnout in constituencies where upscale voters live. These are the equivalent of people who have stopped watching movies. But what if there are voters who participate in old style politics because they have not had a chance to sample a new style?

Living and working in Hyderabad in the IT sector, I have had the occasion to observe the disconnect between the political establishment and the middle class voter during my daily commute. A

flyover that would make the commute easier for all the IT professionals travelling on the road was long delayed in its construction and the Telugu Desam Party decided to stage a protest. However the protest did not seem to involve, and did not make an attempt to reach out to any IT professionals. They seemed to have bussed in a different identity group each day—Dalits one day, the Muslims the next, and so on. It was almost as if the party realised that they needed to reach out to the middle class to make political capital out of misgovernance, but was unable to work out how, and was falling back to doing what it knew best.

Indian politics is ripe for a change in some important and interrelated areas. Politics in India has very little to do with deciding which laws and policies the nation will be governed by and more about getting your man in power and swaying the implementation of whatever laws get passed in your

favour. Politics in India is conducted through too many intermediaries and power brokers, and this blunts the ability for the establishment to receive feedback. Political communication in India is not conducted through newspapers, TV channels or any forms of mass media—any discourse there is mostly noise. Instead, it utilises a sort of bush telegraph that is more suited to a time of mass illiteracy.

All of these are channel issues, and these could change if a political party finds a way to reach out to the new electorate in a different way. Of course, the task will be tougher than it was for the multiplexes—the vote of a member of the educated urban middle class has the same value as a rural voter, so there is no way to make a profit by charging the new voter more, as there was in the movie industry. But it is a fair bet that any party or individual that cracks the code would find that the new voters are much larger in number than they expect.

ARUNA URS

*Aruna Urs is an entrepreneur who worked as a campaign manager in the recently concluded Karnataka assembly elections*

# Limits of election spending

*The official ceiling limits on election spending are impractical and ignore the realities of mounting an election campaign*

Kiran Jonnalagadda



After filing nominations for assembly elections on a hot summer day in April, a Bangalorean candidate on a national party ticket proceeded to have tender coconut water along with his close group of supporters. Two days later, to his shock and horror, the returning officer of that constituency sent a notice for not accounting Rs 800 towards 40 tender coconuts.

Unknown to that candidate, the event had been captured on video by election commission officials and regardless of who paid for what; the returning officer wanted the candidate produce receipts for 40 tender coconuts. To avoid

confrontation, the candidate's election agent generated a voucher for Rs 800 and complied with the notice.

In another instance, an ex-minister's campaign office was raided and all that officials could find were two bundles of 10,000 handbills in excess to what than he had been permitted for and other campaign materials such as caps and badges. He was slapped with a notice and Rs 15,000 was added to his election expenditure.

The overzealous officials have successfully turned the already absurd expenditure restrictions into a total

farce. One has to wonder the intent behind the Rs 1.6 million ceiling limit for an assembly seat and Rs 4 million in a parliamentary constituency.

What is the goal that parliament, which set these limits, is trying to achieve? Are members of parliament trying to lower election expenditure to make the field more open? Are they trying to make elections more transparent? Or both? On the face of it, the limits are there to satisfy some self-righteous persons and organisations. Post assembly elections, A Bangalore-based NGO, Karnataka Election Watch (KEW), harrowed by spending declarations made by winning candidates, said in a press release that “either contesting elections has become cheaper or most of these MLAs have lied.”

*On an average, an assembly constituency has about 200 voting booths and each booth needs five workers, who are usually paid Rs 500 per day along with fuel and food allowances.*

Astounding that the KEW was literally looking forward to honest disclosures and it felt betrayed to find that the average ‘declared’ expenditure of winning candidates was at Rs 743,000. Only one out of 213 MLAs had exceeded that limit and that too by only Rs 3000. However, on paper, the ceiling limit seems to have done the trick. Elections are now cheaper and are far more transparent. How cute, no?

A better way to start election campaign reforms is to first accept that it takes copious amounts of money to mount a decent campaign. Money is probably the main lubricant that churns the campaign wheel. Volunteers are hard to come by and after a few days either they slowdown or just vanish. On an average, an assembly constituency has about 200 voting booths and each booth needs five workers, who are usually paid Rs 500 per day along with fuel and food allowances. During the last two days of the election, the daily wages get tripled.

At least a third of the electorate, in case you did not know, demands cash and in-kind rewards. They usually constitute half of voter turnouts. The caste-based organisations demand corpus payments. So do the women’s self-help groups and other myriad groups. Better placed party workers organize a gathering at their home and the neighbourhood that attends gets a return gift (on behalf of a candidate, of course). Usually, a saree for the lady, a wristwatch for the gent and a devotional MP3 compact disc with Rs 500 note nicely tucked in. A campaign team is alleged to have topped up Rs 250 talking credits to about 20,000 mobile numbers. Creative as they can get.

Money alone will not certainly win elections. But money is needed to stay in the contention. There is no guarantee that individuals will vote for the candidate who gives them the highest money either. But without payment, a candidate stands a remote chance of succeeding.

Money has always played a significant role in elections. In *Sardar Patel: India's Iron Man*, the biographer B Krishna mentions a letter written in 1946 by Sardar Patel to Maulana Azad, the then

Congress president, castigating him for backing a wrong candidate in Punjab assembly elections when the party had given that candidate Rs 1,00,000 for campaigning. Yes, Rupees one lakh in about-to-be-independent India and that too by the most dominant party then. It shouldn't surprise us then that senior BJP leader, Gopinath Munde publicly spoke yesterday of spending Rs 8 crore to win his Lok Sabha seat in 2009.

By not confronting the truth, we are forcing our political leaders to be

hypocritical. Do we really need government officers on deputation to go undercover to trail a candidate to make sure a candidate accounts for tender coconuts? If candidates are talented enough to land a party ticket, don't they know how to side step these foolish restrictions?

One former Congress leader and now an independent MLA from Karnataka has declared an electoral expense of just over Rs 100,000. Take that!

**PERCY S MISTRY**

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# The looming crisis in India

*A political override over economic common sense is likely to push India's tottering economy over the edge.*

nuklr.dave



India's politics, economy and social fabric are unravelling. Its politics are dysfunctional. Its economy is tanking. Uncivil society is rebelling. The 'street' is challenging the 'state'. Government of India cannot respond coherently. Probity and ethics in public, corporate and professional life are conspicuous by their absence. Devastation in Uttarakhand aggravates India's traumas. The armed forces and NGOs respond with skill and compassion, in contrast to the serial failures of civilian government. The tragedy highlights

again the incapacity of government in India to govern effectively/efficiently or regulate activity sensibly.

India bleeds; yet its politics are stalemated. Parliament is dysfunctional with 165 Bills pending. The BJP opposes all that the government proposes. It demands resignations and blocks legislative activity. That might be justified if it provided a credible alternative. It does not. It has elevated a dangerous, divisive autocrat to lead it into general elections, triggering internal

dissonance and fracturing the NDA alliance.

Given UPA's record, the BJP's travails may not guarantee a third UPA victory. That might prove disastrous anyway if a post-2014 UPA-3 repeats the record of UPA-2. State elections confirm a public desire to oust corrupt governments coupled with incapacity to install cleaner ones. They do not exist in the Indian political space. So a Federal Front may emerge comprising regional parties most of which are led by mercurial and unstable personalities. Such a coalition may cobble together a majority of votes in the Parliament. But it would have no credibility, national agenda or durability. No third front has survived in India for more than 18 months. With the fragility of the economy, a third front might set India back by decades.

Unexpectedly, UPA-2 has mismanaged the Indian economy; in contrast to UPA-1 Agreed that it had a global recession to contend with, but that should have depressed growth from 9 percent to 7 percent. Instead growth has fallen below 5 percent because of economic mismanagement, falling investment, infrastructure bottlenecks and corruption. India has high inflation and twin deficits that have spiked to unsustainable levels, causing the INR to collapse. The fiscal deficit is 5 percent of the GDP. The CAD is 4 to 6 percent of GDP. Declining capital inflows (resulting from collapsed confidence) mean the CAD cannot be financed. India's large short-term external debt is pushing it into a corner. Reserves of USD 280 billion will not protect against external unwinding or an oil price shock.

The INR has depreciated by 12 percent in June and 40 percent since 2008. That

worsens inflation by increasing the INR cost of essential imports. Devaluation should make India more competitive. But India is ill placed to benefit. It has not reformed its absurd labour policies, nor its infrastructure and other structural policies, to become globally competitive. Its hostility to FDI, and aversion to multinationals constrains its competitiveness. A continually declining INR puts off potential FDI that sees value being eroded by ever-materialising currency risk.

*If India's policy-makers do not correct course and moderate their hostility to foreign investment, thus compromising India's long-term interests, then India will never be a force in the global economy.*

Given its economic characteristics and debt dynamics, growth of 5 percent in India is equivalent to 0 percent in the developed world. It accentuates the country's incapacity to generate sufficient revenue, create sufficient employment, and ensure competitiveness. India has to run faster than others on the global treadmill to stand still. Instead it is running slower and falling behind.

Clearly, UPA-2 appointed the wrong Finance Minister in 2009. His 3-year tenure showed a lack of judgement, hostility to FDI/FII, and an obsession with maximising revenue that dented investor confidence irreparably. The

present FM faces a herculean challenge in turning India's economy around. Yet GoI keeps sending out confused, contrary signals. Ministers talk up the attractiveness of India to investors but they turn them off by actions contrary to words. The external situation demands that GoI does everything possible to attract FDI and FII. But the government is dilatory in passing the amended Insurance and Pensions Bills. These would bring in direct immediate investments of \$1-2 billion, more via associated indirect FDI and FII. Yet the signals are that GoI will not accommodate the legitimate interests and concerns of the foreign investors.

Despite economic turbulence UPA-2 has increased fiscal burdens. It has introduced large income subsidies before reducing sufficiently misdirected price subsidies for energy, fertilisers and food. Just before the 2009 elections UPA-1 introduced a National Rural Employment Guarantee Act (NREGA) that is now fiscally unaffordable, though it has propped up rural incomes and increased aggregate demand. But it has distorted and overpriced agricultural labour thus raising farm costs and fuelling food inflation. Given the failures of state governments, 40-50 percent of the resources allocated under NREGA do not reach intended beneficiaries.

UPA-2 has reduced fuel subsidies that were misdirected yet supported by an opposition unversed in economics. But it has not gone far enough to eliminate their market-distortions. Again, just before the 2014 election, UPA-2 now wants a Food Security Bill (FSB) that guarantees cereal supply at egregiously subsidised rates to 75 percent of India's

rural population and 50 percent of its urban population; when it claims to have reduced poverty to 28 percent of the population. FSB opens the door to more graft by relying on a dysfunctional Public Distribution System, which will divert even more resources from intended beneficiaries. GoI argues that it will increase the fiscal burden by 'only' INR 270 billion. This is an astonishing move, given that the government is bankrupt. The actual burden may be twice or thrice that. If monsoons fail, FSB will increase food imports and widen the CAD.

GoI and the leadership of UPA-2 are gambling on getting a damaging FSB passed at the expense of more urgent reforms. Flawed political reasoning drives such distorted priorities. Congress' leadership believes that the electorate must be bribed to vote for it. But that detracts from the credibility of GoI at a time when India confronts an economic debacle.

If India's policy-makers do not correct course and moderate their hostility to foreign investment, thus compromising India's long-term interests, then India will never be a force in the global economy. Instead of keeping foreign investors at bay, India should be attracting as much FDI and as many multinationals as it can, by providing the most user-and-tax friendly environment it can. Instead it is doing the opposite. India now needs a harsh reality check about what a political override over economic reason will do to push its disintegrating economy over the edge. It may take decades to recover, with another generation being sacrificed.

GULZAR NATARAJAN

*Gulzar Natarajan is a civil servant. The views are personal.*

# Fighting harassment corruption

*How to address the problem of government officials demanding bribes from citizens for accessing public services*

Pushkar V



The anger and indignation that has aroused the civil society in India in recent months over corruption has been confined to a slew of high-profile cases of large-scale rent-seeking. While undoubtedly a matter of great concern, the more ubiquitous form of corruption, one that directly affects all but a handful of us, involves the harassment of citizens by government officials through demands for bribes to access public services.

The egregious and pervasive nature of such corruption makes it a national disgrace. Transparency International

says that 54 percent of Indians reported to have paid a bribe to access one out of nine basic public services over the past year. At a time when popular resentment against governance failures have resulted in angry street revolts in many parts of the world and corruption is the major public issue in India, it is surprising that harassment corruption has not provoked similar action in India.

The Lok Pal based approaches to addressing corruption revolve around fool-proof regulations, strict enforcement of severe punishment for violators, limiting discretion for officials,

and enabling transparency and accountability. While important, they fail to appreciate the complex dynamics of the relationship between government and the civil society that drives harassment corruption.

The socio-economic and administrative environments in countries like India provide ample opportunities for corruption and pilferage—an entrenched culture of tolerance for such corrupt practices, people willing to pay much higher prices for accessing services, badly paralysed and ineffectual enforcement mechanisms, governments with monopoly of delivering public services and so on.

Unfortunately, there are no easy paths to combating such corruption. In fact, we may need to adopt a context-specific, multi-pronged approach. Simplifying processes is a good place to start.

Consider this. Lakhs of people apply for income, residence or caste certificates each year to apply for government jobs. The harassment undergone by applicants and administrative energies that are expended to verify and issue these certificates are enormous. Only a small proportion of these people fulfill the (other) qualification requirements to become eligible for the job. A change in process that enables people to apply with a self-declaration and demand the certificates from only those who qualify is certain to be a major improvement.

It is commonly observed that people's willingness to pay for specific services/goods are higher than the price formally charged. In view of the general perception of difficulties associated with accessing government services, people access the service by paying the differential (or a part) as rent directly to the official concerned or outsourcing to

a broker for a price. These brokers in turn strike deals with the officials and a rent-seeking chain gets entrenched.

This rent-seeking can be curbed by capturing and institutionalising the willingness to pay through differential pricing. Those willing to pay a higher amount can access the service faster and at their door-step. They will not take things lying down in case of delays and harassment.

*A more institutional approach to containing corruption in the delivery of welfare programs is to expedite the implementation of Aadhaar project.*

The rents are legally captured as premium service fee. The others will continue to get their service at the regular fee within the time indicated in the Citizen Charter. The *tatkal* service for railway tickets and priority banking services are examples of such service delivery.

Bribery takes place when citizens interface with government officials. Customer service centres, operated by third-party providers, eliminate the interface and limits bribery opportunities. This has to be complemented with service delivery standards, outlined in a citizen charter, and rigorously adhered to. These centres should serve as the single-point interface for citizens—collecting applications with all relevant documents, transmitting them to the

respective offices for processing, and disbursing the certificate on the designated day.

This can be complemented with introduction of competition within government itself. This means that the same application should be accepted, processed, and if possible, even acted upon, through multiple functionaries at each level. By generating some level of internal competition among these multiple functionaries at each level, it has the likelihood of acting as a brake on rent-seeking.

All the three – differential pricing, customer care centers, and competition – have to complement each other and be underpinned by a robust work-flow automation of the entire service delivery process. The applicant can be informed about the stage of the process through SMS and website based application tracking systems.

There is nothing even remotely new about them. In fact, many government agencies today claim computerised delivery of services through outsourced single-window customer care centres. But they appear not to have had the expected dent on harassment corruption. This is not surprising since the overwhelming majority of them are cosmetic exercises, with limited attention to small details. Even when professionally implemented, they are quickly gamed by enterprising officials. An important lesson therefore is that all such initiatives should be dynamic, responding quickly to emergent scenarios with appropriate process

changes, atleast for a few initial months of its implementation.

A more institutional approach to containing corruption in the delivery of welfare programs is to expedite the implementation of Aadhaar project. Instead of being bogged down in the politically controversial cash transfer debate, the Aadhaar project needs to be given a spin as a governance improvement initiative. The Aadhaar number can help reliably identify individuals, deliver benefits and services to them, and thereby avoid duplication and fraudulent claimants, besides lowering administrative transaction costs. When appropriately integrated into the various public service delivery channels, it can go a long way towards eliminating corruption in government programs.

We can also go beyond the traditional norms of transparency by rating various government agencies on their levels of corruption. Such ratings, to be done by an independent non-government agency, can use surveys to measure actual and perceptions of corruption. Grading can be done across departments and sections within the same department. These grades can then be publicised to create public stigma and instill a sense of shame among officials of the department. The same rating disclosure can be extended to cover officials in various departments.

A mix of all these, and more, are necessary to address a complex issue like harassment corruption.

SUNIL S

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# Another kind of terrorism

*Seemingly ordinary crime committed in the fields of food and health security are indistinguishable from terrorism.*

Erich Ferdinand



Terrorism is defined as the use of various kinds of violence to coerce a political outcome. Terrorists do not distinguish between combatants and civilians. Terrorist acts inflict heavy costs on the blameless. We in modern India are unfortunately quite familiar with terrorism – we easily recognise a Khalistani, jihadi or saffron terrorist when a bomb goes off and yet somehow we fail to see the terrorists that lurk in plain sight.

Perhaps it is simply our hubris as a nation, after all everyone knows we have made great strides after independence. Thanks to the “Green

Revolution” and the Public Distribution System, we have achieved a significant degree of famine control. We have also made great advances in the pharmaceutical sector and life-saving drugs are mass-produced in India. But a walk down the street tells you all is not right. Malnutrition persists and no end to communicable diseases is in sight. Despite being among the ten richest nations on earth, we still have women and children who suffer from malnutrition and Indians still die from Tuberculosis, Typhoid and Malaria.

In the midst of all this suffering, two groups of criminals seem to function

with impunity. The first group of people who smuggle from the Public Distribution System and the second group of people compromise the national health system – peddling fake medicines, poor quality medical care and fraudulent medical advice to people that are ill. Some factions in these groups create entire criminal syndicates that reap the profits of such trade and then use the monies to fund political campaigns. In this fashion these criminal infiltrate the government machinery. A politician who comes to power via such alliances becomes uniquely placed to interfere in investigation of such crimes by the police and to subvert the law and order machinery.

## *The first step to ending terrorism in the food and health security sphere is to recognise that it actually exists.*

The greatest impact of this criminal activity is felt by the weakest sections of the society— pregnant mothers, children, elderly people and people that are ill. The perpetrators of such crimes do not care about the consequences their actions visit upon the weakest of the weak. Absent the connection to politics, this is all ordinary crime but this same callous disregard for human life when attached to the pursuit of political gain makes the underlying acts indistinguishable from terrorism.

A politician who associates with PDS smugglers or fake medicine traffickers is no different from the leader of a terrorist

organisation – as s/he deliberately invests in physically harming the weak to achieve political gains. There is no other word to describe someone who invests in violating human rights in such an informed fashion.

We do not seem to recognise this connection in India. Our laws continue to treat such matters as ordinary crime and not terrorism. Today the Government of India can take a PDS smuggler to court and a police detective can state under oath that the criminal before the court is a known PDS smuggler, but that does not capture predicate acts. The human impact of the criminal's actions is hidden, and the court finds itself unable to clearly identify the elements of a conspiracy and that in turn leaves a large hole in our ability to properly prosecute criminals. To the victims of such crime, there is no justice. Their suffering is hidden behind the bland language of the court. Skilled lawyers are able to arrange the machinery of the courts to function in a manner that ensures no one is ever brought to account for the crimes.

This state of affairs is depressingly familiar in the context of separatism. All over India, we have witnessed several groups of people flirt with ethnic or religious chauvinism as a political philosophy and then suffer as it metastasizes into a full blown separatist insurgency. In the thick of the insurgency – all human rights become a distant memory and the court system cannot keep up with the activities of the criminals. It is only the clear definition of terrorism that allows for the formulation of appropriate laws like TADA and JKPSA among others. Only when the proper tools become available

does the law enforcement machinery successfully combat the menace.

The first step to ending terrorism in the food and health security sphere is to recognise that it actually exists. Once that step is taken, then the next step would be to introduce specific amendments into the Unlawful Activities Prevention Act of 2008. The proposed amendments would make any contact between criminals who target food and health security and political personalities identical to the existing definition of an “unlawful association”. As the UAPA already lays heavy penalties on anyone who acts in material or moral support of an unlawful association – the identification proposed above should completely

squeeze financial ties between politicians and such criminal syndicates. This in turn will gravely limit criminal subversion of government. Additionally an amendment to Sect 15, would seek to expand the definition of the words “terrorist act” to include any politically motivated disruptions to the access to essential commodities. After these changes take effect, suitable changes to the government machinery like appointing special tribunals and courts and special investigative teams will improve the targeting of such criminals. Also a fund could be setup to provide relief to the victims.

All in all, this appears to be a solvable problem. One needs only to bring a certain degree of focus to it.

RENU POKHARNA

*Renu Pokharna runs the advocacy group Dharna2.0 in Ahmedabad.*

# Are we back in the Dark Ages?

*The problem is not of selective or discriminatory moral policing, but rather the concept of moral policing itself.*

Isaac Mao



Most arguments I have with economist friends over China and India competing for world supremacy always end with my trump card “But India is a democracy and we can have Google while the Chinese government can ban it!” However, thanks to the I&B Ministry’s increasing monitoring of what the viewers can and cannot watch on television, this argument doesn’t hold much water anymore. The list of words that the ministry likes to mute

out of its channels and make the dialogues disjointed and meaningless is growing every day. What is interesting is how irrational this is. In an episode of *Homeland* for example, an American thriller on StarWorld, the word ‘mosque’ was taken out because that was where supposedly a bomb plot had been discussed. In an episode of the *Big Bang Theory*, the word ‘Gandhi’ was taken out presumably by the channel’s editors themselves as a preemptive

measure. This, alongside all references to body parts, scenes portraying sexuality, words that may remotely be construed as abuses, and whatever else the channel thinks the ministry would frown upon, are removed.

Interestingly the same diktat is not followed by the Hindi channels. The last episode of the popular romantic drama *Bade Acche Lagte Hain*, Ram Kapoor, a character adored by one and all, drinks a glass of neat whiskey with no warning ticker telling us about the perils of alcohol. The same scene with an English speaking white man would have drawn the wrath of the I&B Ministry. As if this is not enough, all English speaking channels are also required to carry a warning ticker asking viewers to report what they might find objectionable. This is not carried out on most Hindi '*saas bahu*' shows except sporadically in some.

What is disturbing about this trend is the arbitrariness with which power is discharged by the ministry. But what else can one expect if we give discretionary power of monitoring morality to a set of people comprising of ministers and secretaries? How can we let the morality of 1.2 billion people be decided by the standards set down by a few? One can compare this to the 'khan panchayats' of North Indian villages where the morality of a few elders is the final word for the entire community and can't be contested. The only difference is of course the punishments meted out, in case of the channels, it is a ban from one to ten days, based on the extent of the outrage that the content might have caused.

The latest ban was on the channel *Comedy Central* over a number of violations of the moral code set out by the ministry. According to the order

uploaded on the Ministry's website, the channel had violated the Rule 6 (1)(a) which states that no programme should be carried, that offends against good taste and decency. This tells us the wide range of discretionary powers given to "good taste and decency". For me, the perpetually scheming women on all Hindi prime time channels are against good taste because they show women in a polarised fashion. There are only two types of women – one is the ideal housewife who worships the husband and tolerates the insults of the in-laws or the other, who is jealous and finding ways of getting back at everyone. Are these in bad taste?

***The problem though is not of selective or discriminatory moral policing, but rather the concept of moral policing itself.***

This of course was not always the case, growing up in the 1990s, I remember watching famous Hollywood movies on Doordarshan– the government-run television channel– without any cuts which is unthinkable now. This moral policing is an extension of the welfare state which apart from feeling the need to have a law to feed the millions, feels the need to control what they watch and hear. It doesn't come as a surprise then that India slid to an all time low of 140 among 179 countries surveyed in the Press Freedom Index, 2013. According to analysts, this downward trend started in 2002. What else has happened in the last ten years? We have had laws making employment a right and a nationwide

scheme based on it, we had a law that made education a right while shutting down millions of private schools, and now we are looking at giving the state wider powers to make food choices for millions. We also had lesser noticeable changes like the state making reservations in central procurement for Dalit owned companies and a bill that makes it easier to promote SC/ST officers in the government passed in the Rajya Sabha. Clearly, the state feels the need to promote certain groups and control growth, development and redistribution. This same controlling behavior unfortunately extends also to media, internet and in turn, freedom of speech.

However, the hypocrisy of this futile exercise is exposed when we see a scantily clad Katrina Kaif gyrating to a song with scores of men in tow, candidly stating that she does not need a man to keep her satisfied as she can do so herself. Or rather, every other actress doing the same if we go by the number of item numbers that are present today in Hindi movies. Bollywood's defence to

this is that it is doing bold cinema by letting women wear their sexuality on their sleeve, while the ministry doesn't seem to mind either. But let us not forget that this is the same ministry whose officials at one time regularly let movies with explicit rape scenes be shown on television while forcing movie makers to show two flowers on screen to depict an act of kissing or beyond. This clearly shows how arbitrary the rules are, leaving a lot of room for interpretation.

The problem though is not of selective or discriminatory moral policing, but rather the concept of moral policing itself. Do we need a policy or a law on morality? Should we allow the state to impose its morality on citizens by spending millions paying salaries to boards and officials of such ministries? Or should we ask the state to leave the Indian citizens free and consider them capable of making choices on what they think is appropriate for them and their families, and not think of them as naïve children who need protection from the big bad media?

**MATHEW GARCIA**

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# Damming the floods

*A proper system of community preparation and warning leading up to a flood event is as important as preventing a disaster.*

YattaCat



Water management is a difficult undertaking. Among the most fundamental of human efforts of civilisation is ensuring enough water for our personal, agricultural, commercial, and industrial needs. Growing economies, populations and countries must continually adjust and make progress on their goals for adequate fresh water supply and the protection of life and property. Planners and decision-makers must account for an uncertain future without illusions or biases to cloud their judgment. In India, the monsoon brings life and death annually and scientists still puzzle over the anticipated effects of climate change and

its impacts on weather, glaciers, floods, and overall water availability. As illustrated in India's media following recent floods in Uttarakhand, sometimes water management goals are incompatible and are approached at crossed purposes. It should be recognised that those managing the execution of those plans, from community programs to massive infrastructure works, do only their best with the tools placed at their disposal when emergencies arise.

Most dams in India, especially along the Himalaya front ranges, are built and managed for water storage and

hydropower generation. In a country that sees tragic loss of life and productivity when the monsoon fails, that's just smart planning. In the United States of America and Europe, we think we have these problems figured out. I say 'think' because much of the infrastructure was built in an era when historical patterns seemed stable and climate stationarity was the prevalent assumption. Now there is a growing recognition that stationarity was just a simplifying statistical approximation, designed to make engineering solutions more tractable and to support the proposal of infrastructure projects for government funding. The assumption of stationarity no longer serves when events, both droughts and floods, stray more and more often from the ranges that we expect based only on the historical record.

## *Dams in the right locations can help, but only if managed in an integrated, scientific approach to flood mitigation.*

The US has more than twenty federal agencies, 50 states, and innumerable private utilities engaged in some manner of water management, with efforts proceeding locally and regionally under vastly different climate, weather, water resources, and financial conditions. The US National Weather Service (NWS), while having very little power over infrastructure projects, engages in a tireless campaign to educate the public and other agencies on the circumstances and dangers of

droughts, flash floods, and river flood events. The NWS monitors drought conditions, providing forecasts of continued dry periods and potential relief when weather patterns change. Extensive NWS operations combine weather, stream and river observing and forecasting methods in order to warn the public about local and regional events. A critical interface between the NWS and several other agencies provides the science and forecasting capabilities to support efforts at infrastructure solutions to address these extremes.

The key lies in the management of that information and of the resulting infrastructure for its specific purposes. Agencies in the US have built dams that were originally meant for flood control but, over time and with population growth and frequent droughts, are now used (and consequently optimised) for water storage and hydropower production. That shift in priorities generally means keeping the reservoir pool higher to maximise service and profit. Flood control, however, requires keeping a lower reservoir pool (if any at all) to maximise the protection of downstream areas. These are obviously competing interests, and since floods are rare while the desire to see a return on the infrastructure investment only grows, the return-generating activity is often prioritised. This "scope creep" in the overall project purpose renders those dams almost useless for flood control.

Dam and reservoir management on major rivers is generally good, albeit with competing interests at times. On smaller rivers and streams, or in areas that see flash floods more than perennial flows, maladaptive management often

falls far behind our understanding of the events themselves, and competing priorities sometimes take over. These are places where science, forecasting, modeling, and management can work together to bring about excellent flood control and protection. The science, forecasting, and modeling work well together and can provide a wealth of accurate, useful information. Difficulties arise in the transition of that science to practice: whether managers want that information, whether they have the capability and authority to make use of it, and whether they have the willingness to accept responsibility for the outcomes of their decisions.

Of course, dams last for decades, even centuries. As mere tools, their purposes can be adapted to the society's needs. With the anticipated impacts of climate change on many regions' precipitation patterns, we may see widespread repurposing of existing dams and many new infrastructure projects to fill gaps where certain purposes, such as flood control, are left unaddressed. At the same time, monsoon prediction is getting better in a seasonal and statistical sense, and IMD is improving its quantitative precipitation forecasting capabilities. However, the weather radar network remains focused on coastal areas and only a few of the inland

locations prone to flooding rain storms. Hydrometeorological modeling efforts, whether for rainfall, streams or rivers are practically non-existent. Large rivers may get some attention for flood forecasting, but community protection requires both organisation and education, and still those communities often resort to hard infrastructure projects for some basic level of defence. Building and maintenance of that protection requires still greater organisation, as well as funding from any number of sources.

Dams in the right locations can help, but only if managed in an integrated, scientific approach to flood mitigation. There are many ways that management can help mitigate the dangers of floods even without dams. Monitoring, modeling, forecasting, education, warning, and evacuation plans can all go a long way to protecting people and their property, even before a dam is built. And if a dam is built for added protection, none of those other activities should stop: that hard protection cannot ever take the place of monitoring and preparation. The proper management of a flood control dam can help prevent a tragedy, but a proper system of community preparation and warning leading up to a flood event is just as important in preventing disaster.

VIVEK SENGUPTA

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# The rise of the East

*The trio of Nitish Kumar, Naveen Patnaik and Mamata Banerjee is likely to have a decisive say in government formation after the next general elections.*

Premasagar



In 1990, the then Bihar Chief Minister, Laloo Prasad Yadav showed rare gumption and pluck to stall the seemingly unstoppable march of L K Advani's *Ram Rath Yatra*. Advani was detained in Samastipur and prevented from proceeding to Ayodhya. Yadav became the hero of the secular forces in the country who had watched Advani's march with increasing alarm.

Almost 23 years later, another Bihar Chief Minister has taken the wind out of the sail of another BJP leader. Last month, Nitish Kumar displayed decisiveness and daring, rare in Indian politics today, and broke away from an alliance of 17 years with the BJP in Bihar on the question of Narendra Modi's

elevation as the de facto prime ministerial candidate of his party in the upcoming general elections. By doing so, Kumar demonstrated that Modi was indeed divisive, as many of his detractors choose to describe him.

Who dares, wins. With this, Kumar rose in stature in the national polity. The Congress hailed his move and extended symbolic support to him in the subsequent trust vote. Kumar romped home and much of the discomfiture caused by his party's surprise defeat in the Maharaganj Lok Sabha by poll, earlier in the month, became a thing of the past.

Nitish Kumar is now seen as potentially playing a very significant role in

national politics – both before and after the next general elections. Many analysts are willing to wager that he will be the dominant force in the parliamentary elections in Bihar, that elects 40 Lok Sabha MPs.

He has performed remarkably well as Chief Minister of Bihar since 2005, putting the state back on the development track after the derailment suffered during the previous 15 years of rule by Laloo Prasad Yadav. Bihar is no longer considered a basket case. In fact, under him, Bihar has had one of the highest growth rates among all states in India. And yet, he is second to none in going for that which fetches votes in Bihar's complex web of caste, community and religious affiliations. It is his intimate knowledge of ground-level political realities that prompted him to take the precipitate step of breaking with the BJP on the issue of Narendra Modi. Muslims will now see him as a friend, if not also a saviour – not just in Bihar but outside the state as well.

Having the credentials of pro-minority, pro-backward and pro-development, with a proven track record of governance (the Bodhgaya blasts and the more recent mid-day meal tragedy notwithstanding), Nitish Kumar would be well placed to stake a claim to a leadership role in any configuration at the Centre. It is too early to make a reasonable guess as to how the political line-up will be in the run up to the elections. The BJP has taken a huge risk by naming Modi as its man of the moment. The reaction to his elevation has been almost immediate and has come from both within and outside his party. The ramifications of this move have yet to fully play out.

Like Nitish Kumar, another stalwart of the East, Naveen Patnaik, the Chief Minister of Orissa, has made it known that he has no love lost for Modi. He pre-dates Nitish Kumar in breaking with the BJP—If there was any hope for the BJP of getting the Biju Janata Dal back into the NDA, it has now been dashed by the elevation of Modi. Patnaik has an impressive record of remaining a darling of the electorate. He is expected to retain his winning streak in both the Parliamentary and Assembly elections next year, though he does face a threat from Pyarimohan Mohapatra. Once his right-hand man and principal advisor, Mohapatra fell from grace last year after Patnaik got wind of a suspected coup attempt. Mohapatra has set up his own political outfit, Odisha Jan Morcha, and has made it known that his goal is to oust Patnaik. So far, he has not succeeded in winning over a single BJD MLA.

*If the troika of Nitish Kumar, Patnaik and Banerjee performs reasonably well at the hustings, as it is expected to do, and perchance comes together, it could have a decisive say in government formation after the next general*

That leaves Mamata Banerjee from among the major Opposition leaders from the East. It is difficult to see her aligning with a BJP that gives primacy to

Modi, given that Muslims constitute around 30 percent of the population of Bengal. Not surprisingly, Banerjee has called for the formation of a non-BJP, non-Congress Federal Front and has already reached out to Nitish Kumar and Naveen Patnaik, among others. Banerjee's performance as Chief Minister has been lacklustre. There is growing disenchantment with her among the urban middle-class. But there is no evidence yet to support the view that she has lost her appeal among the rural masses. True, the Congress is no longer with her, but the Left Front is yet to recover from the shock of defeat in the epochal Assembly election of 2011. The ongoing Panchayat polls in the state are critical and will tell us more about Banerjee's current standing with the electorate.

The run-up to the Lok Sabha elections, whether they are held on schedule in 2014, or sooner, as some suspect Sonia Gandhi might plump for, taking a cue from her mother-in-law (who went for a snap poll in 1970 and reaped huge dividends), will see a churn with leading political players seeking to cobble together or undo alliances. Nitish Kumar's precipitate move and the very recent alliance between Congress and Jharkhand Mukthi Morcha are of a piece

with that. Both developments help the Congress. It has the onerous task of rebuilding the UPA, which during the term of this Lok Sabha saw the exits of the Trinamool and the DMK, two powerful forces.

The NDA is in no better shape. If anything, it is worse off than the Congress and the UPA. The presidential election last year exposed many chinks in its armour. Put it to the personal appeal of Pranab Mukherjee, but the fact remains that major regional players like JD-U (portentously, it would seem now) and Shiv Sena, broke ranks and voted in favour of the UPA candidate. And Mukherjee romped home even in Karnataka, where the ruling party was the BJP. Thus did Sonia Gandhi turn a seemingly lost cause into a successful campaign.

If the troika of Nitish Kumar, Patnaik and Banerjee performs reasonably well at the hustings, as it is expected to do, and perchance comes together, it could have a decisive say in government formation after the next general elections. That would be the first time in 67 years when Eastern India would decide who forms the government in Delhi. Who rules the cow-belt rules India: that myth will be finally busted.

V ANANTHA NAGESWARAN

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# January 1998 and July 2013 – what is the difference?

*Why did Reserve Bank of India's measures in 1998 work? How do they compare with the current set of measures?*

Jason Rogers



I had finished writing my last [MINT column](#) on Sunday and dispatched it on Monday morning. Then we heard that the Reserve Bank of India (RBI) had [effectively hiked the interest rate to 10.25 percent](#) on Monday, to prevent the rupee from weakening further. In the light of what my column had suggested, I felt that the RBI had done the right thing or the inevitable thing. In this case, both converge. Not all of us could go and live happily ever after. Interest rates

tightened. The 10-year Government bond yield is now up either 50 basis points or 100 basis points depending on your reference. It is above 8 percent. The RBI had to announce a special repo window to help debt mutual funds meet redemption demand.

The *Business Standard* wrote in [an editorial](#) that the RBI had thrown the baby with the bathwater. Someone in the know of things (both contemporary and history) exchanged emails on Thursday

morning with Yours Truly, called it bloodletting and wondered if the impact of interest rates on exchange rates was as significant as its impact on growth and inflation. What my email partner asked was a rhetorical question on the importance of the exchange rate for India. Rhetorical questions, as opposed to their non-rhetorical counterparts, have their own answers. The implied answer was that the exchange rate effect was not that important to warrant hiking interest rates effectively by 200 basis points in one stroke and choking the economy.

### **RBI should share its rationale with the public**

What we have here is an information gap. Surely, the RBI must have done some work, scenario building to conclude that beyond a certain threshold, the exchange rate mattered for India more than it should or it would, under normal circumstances and that it would be damaging to let the USDINR find its own level. That is the problem or the beauty of economics (depending on the eye of the beholder). Most of what we know is true, within certain limits. Things are linear within normal ranges. Then they are non-linear. I will make myself clearer. For a relatively large economy like India, interest rates should matter more than the exchange rate in influencing economic growth. That is largely true except when it is not.

In fact, many view exchange rate depreciation as loosening of monetary conditions. Again, it is true except when it is not. When the financial market is running amok with greed or loses its head with fear, these statements remain suspended. May be, for a long time too. Exchange rate depreciation is good, if it

is happening in an orderly manner and in the context of a normal economy – reasonable growth, inflation and external balances. If not, it could be a harbinger of trouble, a sign of vote of no-confidence on the part of the market. That is what had begun to happen with the Indian rupee. The rupee weakness had acquired a momentum of its own. It was breeding self-fulfilling expectations of further depreciation. It appeared that the floor had been permanently removed from under the Indian rupee or so the RBI must have concluded. That would have quickly turned into a run on India's foreign exchange reserves given India's substantial external debt stock and servicing obligations.[2]

On the question of whether the interest rate defence would adversely affect growth even as it has only a limited impact on the exchange rate, the answers are several. Lack of trust in the government has hurt India's growth and investment more than interest rates. Second, a drastic hike in interest rates is a signal of what the central bank thinks of the fair value of the exchange rate and its determination to defend that. Third, generally, other factors may influence the Indian rupee exchange rate more than the interest rate does but, on occasions, the interest rate defence can be effective. That is a matter of judgement and that is what policymakers are paid for – to exercise that judgement. If interest rates did not matter for the exchange rate of the Indian rupee, the Reserve Bank of India would not have deployed that in the past, especially in 1998. In my view, this is one such time too.

It would help the public understand policymakers better if the latter shared their thought processes or analysis with

the former. In other words, RBI needs its own Jon Hilsenrath. More importantly, there must be something to feed the Indian 'Hilsenrath'. The central bank must sponsor research, conducted by unbiased academics, that illuminates the bank's actions.

### **Why did RBI measures taken on 16 January 1998 work?**

My email partner on Thursday morning pointed to what the RBI did in 1998. RBI had taken a set of measures on 16 January and another announced another package of measures on 20 August. The measures announced in August were in response to the global emerging market contagion triggered by the Russian default. Measures announced in January were in response to the rupee exchange rate dynamics. From a low of around INR35.7, the US dollar had appreciated to a high of INR40.65 on January 15, 1998. This prompted the RBI to announce a slew of measures on January 16, 1998. It included a hike in the bank rate from 9 percent to 11 percent, a hike in the cash reserve ratio from 10.0 percent to 10.5 percent and an increase in the fixed repo rate from 7 percent to 9 percent. The most interesting of the measures was that the reverse repos facility would be made available to Primary Dealers in Government Securities market at Bank Rate, henceforth on discretionary basis and subject to stipulation of conditions relating to their operations in the call money market.<sup>[3]</sup> Within a few days, the USDINR exchange rate declined within a few days from 40.65 to 38.60.

The market reaction has not yet been as kind to Dr. Subbarao as it was to Dr Bimal Jalan then. Well, 1998 was fifteen years ago and that is a long time in the contemporary world. India's economic

fundamentals then in the words of Dr Bimal Jalan (sometime in June 1998),

Speaking about India's macro-economic conditions, he said that in the last three years, on an average, India has maintained a GDP growth rate of 6.6 percent. It had also had an inflation rate of about 5.7 percent, one of the lowest in the developing world, and a sustainable current account deficit of 1.4 percent, he said. During this period, external debt to GDP has also been reduced from 32.3 percent in March 1995 to 23.8 percent in September 1997. The debt service ratio has also been reduced from 26.2 percent in 1994-95 to an estimated 18.3 percent in 1997-98. ([Source](#))

India would wish to have those vital statistics now. Almost all the parameters mentioned above are worse than they were then and some considerably so. Second, the epicentre of the 1998 Asian crisis was not India. This time, India is the problem. That explains the different market reaction to Subbarao. As I write this on Thursday, the US dollar is approaching the 60 rupee level again.

My email partner pointed out that, with the jump in the yield on the Indian government bond, the RBI would be forced to do "Open Market Operations" (OMO). In plain English, the RBI would have to buy government bonds to prevent the yield from moving further higher, negating its own actions taken on 15 July. That is a fair point and quite correctly illustrates the predicament of the RBI. Vindicating my friend was the cancelled Government of India debt auction on 17 July. RBI did not allot any bonds to the bidders since the bidders wanted higher yields than what the RBI was willing to pay. We should note here that RBI is the debt manager for the Government of India,

helping the latter to borrow to meet its spending plans.

Here is where one must spare a thought for Dr Subbarao. He has had the singular misfortune of having to serve under a government that has been, arguably, the most incompetent and most venal since independence. His predecessors have not been so unlucky.

### **Lessons for the RBI (and policymakers in general)**

RBI's lessons in this episode are many. It is appropriate for it to retain a measure of surprise element in its policy pronouncement. I am all for it.

However, post-facto, it should put its case for doing so in the public domain. That should be as rigorous as possible. Then, it is important – and this is a lesson for all developing economies and not just for India – not to be overly mindful of monetary policy and economic developments in the US. Admittedly, that is a matter of judgement and, hence, more of an art than science. In 2009-10, as uncertainties loomed large over the fate of Western economies, central banks in emerging economies took the easy way out. They kept their monetary policies too loose too and avoided harsh decisions. Let there be no mistake. Their governments must have heavily leaned on them to do so. However, that is an occupational risk for technocrats in the developed world. Political pressure is a constant. That cannot be an excuse.

Further, they failed to notice that, rather unobtrusively, the dynamics of emerging vs. developed world had begun to change in 2010. It is a fact that financial markets view ultra-loose policy in the developing world and its consequences with different lens than they view developed economies.

Financial markets are not apolitical, not neutral and not far sighted. The United States – the Federal Reserve and American financial institutions – and Europe, to a far lesser extent – are the players, the plaintiff, the prosecution, the witnesses, the jury and the judge – on macro policies elsewhere in the world. It is as much a financial market reality as it is a geo-political reality. That is why it is important for technocrats in the developing world to ignore domestic political pressures in their decision-making. Politicians, especially in India, are neither focused on national interest nor are they capable of factoring in geopolitical realities into their calculus.

At the same time, it would be incomplete to conclude this piece before pointing out that the United States or any other nation would not be able to achieve its geo-political goals but for the willing complicity and hubris of policymakers in developing world. One of their strategies is to lull the developing world into a sense of complacency about their achievements and then to pull the rug from under their feet. This would not be possible if policymakers did not have a finely honed sense of their own achievements, failures and structural weaknesses. For all its aversion to the "India Shining" campaign, the UPA-led India fell for the hype about India's permanently high growth not only due to five years of strong growth starting in 2003 but also due to the so-called quick recovery after the global crisis of 2008. Hubris did India in. India felt that it could get away with loose fiscal and monetary policies because it felt that financial markets were besotted with its high growth rate. In the process, it allowed the economy to overheat and the cookie crumbled. For policymakers in India, scepticism

and vigilance would be better policy tools than pride and complacency.

Of course, this is water under the bridge for Dr Subbarao and the RBI. It would be unfortunate if their decision was purely motivated by the fear of going to the IMF for special assistance in an election year. That might yet prove to be unavoidable with the RBI tightening imposing additional costs on the economy. An IMF bailout would have been no bad thing for the Indian economy in the long-run even if it would have meant the death-knell for the UPA government because that is precisely what a good doctor would prescribe for India now.

[1] The weekly column appears on Tuesdays and this is the one that I am referring to ('[what should the RBI do and why?](#)'). The article is behind a subscription firewall.

[2] The elephant in the room is the foreign currency debt obligations of Indian borrowers. The stock of foreign currency denominated debt has grown too rapidly in recent years and so has the cost of servicing it. A [recent blog post](#) neatly summarises the burden. A weakening rupee makes both servicing and repayment of foreign currency debt more difficult.

[3] See the [RBI press release](#).

**MARK SAFRANSKI**

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# A bridge over troubled waters

*Understanding the purpose of strategy and the role of the strategist.*

For a century as deeply soaked in blood as the last, the most remarkable aspect of modern military history is how poorly states have waged their wars. Poor because despite enormous expenditure of treasure and loss of [an estimated 187 million](#) lives, very few wars resulted in an unambiguous victory on the battlefield that was parlayed into the kind of lasting political settlement for which the war had been waged. The Second World War remains the shining example of military force securing a permanent peace between belligerents, but the expression “win the war, but lose the peace” aptly describes the more usual outcome of victories by generals on the battlefield, upon which politicians and diplomats are unable to capitalise on at the conference table.

Why do most states seem incapable of using force effectively? One explanation would be the relative decline of strategy as a tool of statecraft and war while the political environment of globalised twenty-first century nation-states have grown ponderously complex. Neither Napoleon nor Giap had to account for

*Al Jazeera* or troops on Twitter, Admiral Nelson and Genghis Khan entered battle undisturbed by NGO activists, currency runs or Security Council resolutions. While the political context of warfare today is more complicated than even fifty years ago, our leaders are less prepared than their predecessors to navigate through conflicts strategically. Large amounts of money is spent on armaments and bureaucracy, coins are allotted to professional military education while fewer and fewer politicians come to office with military experience or a thorough grounding in defence issues. This situation creates a wide gap of understanding between civilian officials who set the policy and military officers tasked with using force to achieve the government’s political objectives or assure the nation’s security. Miserable military performance, broken policy and lost wars, from Algeria to Afghanistan, arise from this gap.

The remedy, argues Colin S. Gray is a strategy bridge. Gray has taught International Relations and educated strategists for thirty years and [The](#)

Strategy Bridge: Theory for Practice represents a magnum opus of Gray's thinking about "doing strategy". An ardent Clausewitzian, who, by his own admission once boasted, "If Thucydides, Sun Tzu and Clausewitz did not say it, it probably is not worth saying!" *The Strategy Bridge* is a significant intellectual departure for Gray. Intended as a work of strategy and not just a book about strategy, the ideas of particular strategists or the history of strategic studies, Gray is attempting "...to make an original contribution to the understanding of strategy" and "... break the grip of Clausewitzian theory upon strategic thinkers and executors, to the degree which he grip has become unhealthy."

## ***Strategy is the 'bridge' that must be built between policy determined by a national leadership and the operational and tactical behaviors of the military and other arms of national power.***

Bear in mind, in Another Bloody Century: Future Warfare, Gray was resolutely critiquing and systematically rejecting most aspects of so-called new wars ideas with a deep skepticism rooted in orthodox Clausewitzian theory. Gray's stance applied equally to culturally weighted explanations of war from military historians (John Keegan, Martin van Creveld), social theorists (Mary Kaldor, William Lind, John Arquilla,

David Ronfeldt, Thomas Barnett) or uniformed advocates of technological dominance and transformation (VADM Arthur Cebrowski, MG Allen Batschelet). So, Gray's effort in *The Strategy Bridge* to move strategic theory beyond the "giant shadow" of *On War* represents an important and welcome shift. To use an analogy, if Clausewitzian theory is the Catholic Church of strategic studies, the Pope just suggested that it was high time to go beyond dogma and engage in a little freethinking.

The title of *The Strategy Bridge* is also Gray's operative metaphor, both for the purpose of strategy and the role of the strategist himself that represents the dialectical dynamic of war and strategy-making, the latter being a shared enterprise, save for some extreme historical outliers where strategy was vested in one man, like the regimes of Napoleon and Adolf Hitler. Strategy is the 'bridge' that must be built between policy determined by a national leadership and the operational and tactical behaviors of the military and other arms of national power. The strategist "mans the bridge", orchestrating all of the elements within a master strategic concept and managing the iterative relationship.

Gray writes "The function of the military strategist, his unique *raison d'être*, is to ensure that policy and the military instrument are purposefully connected... The strategist must understand the whole nature of a conflict, including war and warfare if antagonism has escalated thus far, because subject to political control, he has the duty of care over the entire competitive performance of the security community... The mission of the

military strategist is to decide how the enemy is to be defeated. It is his task to invent a theory of military victory. That theory has to be expressed in and revealed in plans, which are contingent predictions of an extended kind, and must be commanded by generals to whom the strategist delegates some restricted command authority. Whether or not the strategist wishes or is able to function as a general also, must vary with historical circumstances”

Gray’s ‘strategist’ in his bridge metaphor is something of an ambiguous and variable concept. It is less a specific official than an instrumental function, permitting a fluid “changing of the guard” depending on the need to fulfill the exigencies of grand strategy, military strategy, supreme military command or the exceptionally rare moment of decisive battle where strategy might ‘fuse’ with operational command. The ‘strategist’ may not be a person at all but a committee. Gray points to the example of Eisenhower whose supreme command of the European theatre in practice often found much of the ‘strategic’ decisions in the hands of the Combined Chiefs of Staff, Churchill and Roosevelt rather than his own. What matters is not who mans the strategy bridge but that it is manned at all times and preferably manned well so that the bridge does not fall into disrepair or give way at the worst possible time.

*The Strategy Bridge* is subtitled “*Theory for Practice*” because it is intended as a serious work of theory, a framework for understanding enduring principles of strategy so that a practitioner can thoughtfully apply them in making strategies for the specific context in which they find themselves to provide correct guidance for the operational

planners and tacticians who will execute it. Consequently, Gray has not written an introductory text for a novice student but an insightful book for the strategic practitioner of journeyman experience – field grade officers, senior intelligence and foreign policy analysts, academic strategists, think tank researchers and national security advisers to senior government officials – who have a store of knowledge of their own. Hence the repeated invocation of “the bridge” metaphor by Gray; his primary audience are the people “doing strategy” and their success or failure “manning the bridge” will help determine the degree to which government purpose remains connected to action or whether the whole business will go off the rails into a quagmire, as it too often does.

Summarising Gray’s ‘system’ in *The Strategy Bridge* is somewhat challenging as he is a lover of composing lists – at times long lists – of fundamental questions, strategic functions and levels, classic strategists, strategist roles, principles of war, dicta of general theory, problems of strategy and then explaining each point in detail. Gray’s dicta though, are the core of his “strategy bridge” and take up two large chapters of the book. Drawn from the works of Clausewitz, Thucydides, Sun Tzu, Machiavelli, Jomini, Basil Liddell-Hart, J.C. Wylie, Edward Luttwak, Bernard Brodie and Thomas Schelling and distilled along with Gray’s own original thinking, the dicta map out Gray’s general theory of strategy.

There are some, which deal with understanding strategy itself- its nature, character and purpose while the last is about the execution of strategies along with those that deal with consequences – all actions, purposeful or not, by

calculation or chance, by strategy or improvisation, will have operational and strategic effect. If a strategist is on their game, they are manning the bridge and managing the iterative process of folding strategic effects back into the adjustment of strategy in line with the efficient and effective pursuit towards the objectives of policy. If the strategist is inept or absent, the effect of events may carry tactical action far away from what politicians had hoped to achieve with their policy.

One of Gray's important discussions in *The Strategy Bridge* is his clear theoretical differentiation between war and strategy and that a general theory of war, provided brilliantly by Clausewitz, is also by default a theory of peace and therefore the art of strategy spans and is applied to conditions of both war and peace and everything in-between ("warlike peace", "phony war"). This permits integration of the means of statecraft with those of warfare in advancing the goals of national policy, at least in theory. Repeated calls by American generals and politicians for efforts in conflict zones like Iraq or Afghanistan to become "whole of government" fell far short of that ideal or fell upon deaf bureaucratic ears. This indicates how hard that kind of unified effort is to come by in practice or at least to reverse-engineer into a war that has already gone far astray from the original policy.

Gray's final chapter in *The Strategy Bridge* is entitled *Bandit Country* and muses on the formidable difficulties faced by professional strategists in their quest to "devise, sustain and satisfactorily conclude purposeful behavior", including not least the open contempt of senior officials who do not

understand the value of strategy or (more likely) fear being held accountable for their performance, if a formal strategy is employed.

***What matters is not who mans the strategy bridge but that it is manned at all times and preferably manned well so that the bridge does not fall into disrepair or give way at the worst possible time.***

This proposition is belied by the history of those who have tried to do without strategy in anything but a short war by relying on tactical excellence, wealth or mass. From Xerxes war with the stubborn Greeks to the Wehrmacht, Imperial Japan's endless war in China or the Soviet and American experiences in occupying Afghanistan, war done without roadmap or compass tend to end in defeat, or at least frustrated ambitions at great cost of lives. Gray insists instead that strategy is "not an illusion"; that strategic theory has real value, in educating the would-be strategist to devise strategies that are, at least "good enough" to allow commanders to create the strategic effects needed to achieve some degree of control over the course of events and work towards the objectives of policy. Strategic success for a nation facing profound and complex security challenges, if not always-elegant execution, is possible. But first you must have a strategy bridge

**PRAYAAG AKBAR**

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# Gopal's narrative histories

*A collection for all serious students of India's post-independence history.*

Early this year, the Marxist historian and anthropologist Vivek Chibber published *Postcolonial Theory and the Spectre of Capital*, a complex and exhaustive critique of the work of the Subalternists, the celebrated group of historians that has in the past two decades come to dominate the Indian historical academy, particularly in the United States of America. While it is unnecessary for this review to discuss Chibber's critique, it is interesting to come across so soon after his work a collection of essays that seeks to address, via a quite different route, the perhaps overweening impact of the Subaltern School.

*Imperialists, Nationalists, Democrats: The Collected Essays* by Sarvepalli Gopal sets out to correct what it sees as a travesty. Sarvepalli Gopal, arguably India's foremost historian in the decades following independence from the British, has been shunted into irrelevance by the steady production of Marxist historians and the great body of work that comes under the Subaltern School rubric. As the historian Srinath

Raghavan explains in his entertaining and instructive introduction to these essays (Raghavan is the Editor of the collection), scholars like Gopal who favoured political biography as a means of exposition were summarily dismissed by Subaltern School doyens such as Partha Chatterjee, who argued that their work failed to use the theoretical tools and scientific method necessary for valuable historiography.

It is Raghavan's argument that this is not the case: his assertion in the Introduction is that political history is an important form that has fallen off due to 'fashion'—as social and cultural histories became increasingly *au courant* in Indian scholarship. He goes on to assert that Gopal's work has been neglected because so few historians have been able to engage fruitfully with India's experience in the years since Independence, and that future historians, when trying to study this period, will naturally turn to him and his studies of Indian political elites. One of the notable things about Gopal's work is that he did not shy away from writing

historical analyses of events that had only just passed. Raghavan sees the return of narrative histories as a portent that Gopal will rush back to relevance.

This collection of essays will agree with any student of Indian history because Gopal has flair for language and dryness of wit that well suits the telling of histories he favours. But it is fair to say that this collection also exposes the flaws with such a personalised approach. At times Gopal's method does seem lacking, while some essays seem outmoded in their neglect of a central thesis. This is particularly striking in the two long chapters on the relationship between colonialism in India and All Souls college, a research institution in Oxford that nurtures aspirations towards the guiding of Britain's domestic and foreign policy.

Gopal's desire here, presumably, is to show how a small college in Oxford can have direct impact on the lives of hundreds of millions of Indians. Because he is a writer who filters history through the political elites who help shape it, he builds this linkage through All Souls stalwarts like Lionel Curtis, who championed the idea of a world state with Britain at its helm, first proposed the system of dyarchy for India's state legislatures and argued vociferously with Morley and Minto against separate electorates. The chapter moves on to Edward Wood, known as Lord Irwin during his time in India, and Lord Halifax during his stint as the Foreign Secretary in the 1930s, when he was one of the principal proponents of the appeasement of Hitler.

Irwin is a favourite of Gopal's, which is clear in the affectionate rendering he receives in these essays, and his long battle with Sir John Simon (of the Simon

Commission), another member of All Souls, is entertainingly retold. But as the battleground widens and the other figures who played great roles in the days before the *Poorna Swaraj* declaration, Indians and British both, start populating the narrative, one is left wondering why Gopal chose such an unusual lens – this remote place called

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All Souls – through which to view those years. As the college and its outlook came up time and again I had to consider how much it mattered which son of Oxonian aristocracy was handed the keys to the imperialist project at any particular time. It is only when we get to the end of the next chapter, past the contribution of Maurice Gwyer, the key draftsman of the crucial Government of India Act of 1935, and Leo Amery, Churchill's Secretary of State for India, that illumination arrives: Gopal's father, a philosopher-academic who became the second President of India, was a Fellow of All Souls, and the chapters seem, in part, homage to his memory. The scientific method might produce dry, un-literary records of the past, but to encounter analysis such as this, yoked, in a sense, to the writer's own life, seemed a touch manipulative.

That registered, there is much that is commendable about this collection. In

an excellent chapter, Gopal clinically portrays Churchill's racism and duplicity, at a time when he was being lionised to the point of parody by American historians. There is a long discussion of Nehru's thinking that might not break new ground for readers today, when so much has been written about our first Prime Minister, but does tell us about his struggles with formulating an ideology that could speak for the broadened revolutionary coalition Gandhi was building – his rejection of Marxism, his romanticised nationalism, his submission, along with the Mahatma, to the demands of the *zamindars* (which, ironically, reminds one of the first Subalternist, Ranajit Guha, and his understanding of the Indian bourgeoisie's compact with the landlord elite), the "facile optimism" he had in scientific temper and modernisation. There is mention of the feeble nature of the Cabinet under Nehru, but this I felt could have been delved into, considering how neutered that vital institution has remained through our years as independent India.

One section I found particularly interesting showed how much recognition there was pre-1947 that the Westminster model (first-past-the-post voting) might well cause serious

problems in government-formation in a place riven along religious and caste lines. But while Gopal lauds Nehru for his courageous insistence that the franchise must be extended to all adults, he does not take him and the rest of Congress' Brahmin elite to task for their assumption that most Indians would not be able to understand fairly rudimentary concepts like run-off voting.

There is more to the collection than can be discussed in a review. Another enjoyable [essay](#) explains how secularism, that cherished ideal of our Constitution, and now viewed, perhaps, as a static abstraction, was in fact sculpted by various moments and indeed disappointments Gandhi and Nehru faced up to in the years before Independence.

Let me end though with one carp: a second edition could do with including the year each essay was written. Since they span this historian's long and prodigious career, and the essays are arranged by theme and not chronologically, it is hard to place his observations and conclusions in the correct context—for example, writing about Nehru in the 1970s is necessarily a different enterprise than writing about Nehru today.

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